STOP THE GAS PLANT

Southern Highlands

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SUBMISSION — INQUIRY INTO ARTIFICIAL INTELLIGENCE AND DATA CENTRES

Senate Environment and Communications References Committee

Executive Summary

Stop the Gas Plant – Southern Highlands is a community campaign opposing a 703.2MW gas-fired power station proposed to power a private data centre at 30 Douglas Road, Moss Vale, NSW. We offer this proposal to the committee as a live case study in what happens when federal policy expectations for data centres exist on paper but carry no force in the state planning decisions that actually determine whether such infrastructure is built.

Our central finding is that the Australian Government's March 2026 *Expectations of Data Centres and AI Infrastructure Developers* are sound in principle but unenforceable in practice. The Moss Vale proposal fails every one of the five expectations, yet nothing in Commonwealth or NSW law requires a proponent to demonstrate alignment with them before approval. The same enforceability gap applies to commitments made in deals between the Government and global AI companies.

On the terms of reference, we address: under (a), the effectiveness of existing regulatory frameworks — the absence of binding force behind the federal expectations, agency consultation that was bypassed before SEARs were issued, and project segmentation that has avoided cumulative impact assessment; and under (b), the impacts on communities, industry, the environment, water and energy — public health in an inversion-prone valley, groundwater extraction in the Sydney Drinking Water Catchment, emissions, and the inconsistency of restricting household gas connections while permitting large-scale gas generation to power a data centre.

We ask the committee to recommend: legislation giving the federal expectations binding force as preconditions for approval; mandatory declaration of full intended site build-out so cumulative impact is assessed from the outset; protected agency consultation periods that cannot be waived under proponent legal pressure; a requirement to exhaust renewable and grid alternatives before any on-site fossil fuel generation; independent hydrological assessment in protected drinking water catchments; and a moratorium on non-compliant data centre energy proposals until a national framework is in place. Our recommendations are set out at Section 5.

1. About this submission

Stop the Gas Plant – Southern Highlands is a community campaign opposing a proposed gas-fired power station precinct at 30 Douglas Road, Moss Vale. The plant is proposed by Nakar Property Pty Ltd, also trading as Cloud Carrier and Square Energy, to power a private data centre campus. It is not intended to supply electricity to homes, businesses, or the public grid.

We are local residents, medical professionals, planning researchers and volunteers. We write to highlight the implications of data centres and digital infrastructure for federal policy, as we have watched planning systems fail our community in real time.

The Moss Vale proposal is a live case study in what happens when federal policy expectations exist on paper but carry no force on the ground — and when state planning systems are not equipped to fill the gap.

Members of our group have also been involved in earlier State Significant Development and Independent Planning Commission processes in the Wingecarribee Shire, including the campaigns concerning the Hume Coal mine and the Plasrefine plastics facility. That experience informs the views in this submission.

The community at the centre of this case study has not been consulted, has not yet been formally notified, and will receive little to no benefit from the facility. We ask this committee to use Moss Vale as a reference point for understanding what regulatory failure looks like when it lands in a regional community.

2. The proposal

The Southern Highlands Data Campus at 30 Douglas Road, Moss Vale, NSW proposes 21 industrial generation halls powered by gas, with a combined capacity of 703.2MW, to power a private hyperscale data centre. The proponent is Nakar Property Pty Ltd, also trading as Cloud Carrier and Square Energy. The operator publicly advertises "full independence from the electricity grid." It has no current plans to supply electricity to homes, businesses, or the public grid.

The power plant component of this development has been structured across three separate approval stages:

- **Stage 1 (SQE1 — DA 24/0055): 14MW. Approved April 2024.** Following a 'deemed refusal' appeal, this stage was approved via a Section 34 conciliation agreement in the NSW Land and Environment Court. By keeping the capacity under the 30MW threshold that triggers 'Designated Development' status, this stage was processed through the standard local council pathway — successfully establishing "power generation" as an existing land use on the site without requiring a rigorous Environmental Impact Statement or cumulative impact assessment.
- **Stage 2 (SQE2 — DA 26/0352): 16MW gas generation plus an 80MW Battery Energy Storage System.** Combined with Stage 1, this brings on-site gas generation to exactly 30MW, the absolute maximum threshold before Designated Development assessment is triggered. Currently before the NSW Land and Environment Court via deemed refusal.
- **Stage 3 (SSD-102795459): 673.2MW across 19 generation halls.** Secretary's Environmental Assessment Requirements (SEARs) were issued in December 2025 by the NSW Department of Planning, Housing and Infrastructure. An Environmental Impact Statement has not yet been lodged. The SSD remains in the "Prepare EIS" phase.

For context: the largest gas-fired power station currently operating in NSW is the Colongra Power Station, at approximately 667MW. The recently commissioned Kurri Kurri Power Station in the Hunter Valley is 660MW. The Stage 3 proposal alone, at 673.2MW, is larger than either. The full 703.2MW build-out across all three stages has never been subject to cumulative impact assessment and was not apparent to any regulator, elected representative, or community member when Stage 1 was approved.

The site sits entirely within the Sydney Drinking Water Catchment and within the NSW Koala Strategy Southern Highlands Priority Population Area.

How the community found out

The planning system's existing notification mechanisms failed to alert the community to this development. Discovery occurred only through an administrative crossover: on 17 February 2026, inquiries about an unrelated AGL battery project led Council staff to provide documentation revealing the existence of SSD-102795459 instead.

The Planning Portal's automated notification system only alerts residents once an EIS has been formally placed on public exhibition. Because SSD-102795459 remains in the "Prepare EIS" stage, the Portal offered no mechanism to alert the community. Under the current framework, a developer can advance a 700MW-plus fossil fuel development to an advanced stage of state assessment with zero community notification.

3. Term of Reference (a): The effectiveness of existing regulatory frameworks

The federal expectations are not being met — and there is nothing to enforce them

In March 2026, the Australian Government released its *Expectations of Data Centres and AI Infrastructure Developers*, establishing five core principles: national interest; supporting Australia's energy transition; responsible and efficient water use; contributing to Australian skills and innovation; and maintaining a social licence to operate through constructive community engagement.

These expectations were welcomed. They reflect sound policy intent. The problem is that they carry no legal weight in any jurisdiction. There is no mechanism in Commonwealth law (and none in NSW planning law) that requires a proponent to demonstrate alignment with these expectations before receiving planning approvals, before an Environmental Impact Statement is lodged, or before a decision is made.

The Moss Vale proposal fails every one of the five expectations. It serves no national interest beyond the commercial interests of the proponent. It does not support Australia's energy transition. It has not demonstrated responsible water use. It contributes no local skills, innovation, or community benefit. And it has failed the social licence test entirely: the community was not adequately consulted, relevant agencies were not consulted before SEARs were issued, and the first time most residents learned of the full scale of this proposal was through a GIPA application lodged by a volunteer.

This is not a failure of the expectations themselves. It is a failure of implementation. Good policy that cannot be enforced produces nothing but false assurance.

> ***The committee is asked to consider:*** what legislative mechanism should give the federal government's data centre expectations binding force within state planning processes for large-scale proposals?

Agency consultation bypassed (GIPA 26-4235)

In response to community inquiries, the Department of Planning, Housing and Infrastructure confirmed in writing that it did not consult with the EPA, NSW Health, Endeavour Energy, or Wingecarribee Shire Council before issuing SEARs for SSD-102795459. The reason given in that written response was that the proponent advised legal action would commence if SEARs were delayed.

Material obtained through GIPA application 26-4235 confirms that the SEARs request was rejected and re-lodged before the final SEARs were issued on 22 December 2025. The GIPA Schedule of Documents records a document titled 'Rejection of SEARs request' dated 13 November 2025. Released correspondence

from Urban Legal (acting for Nakar Property Pty Ltd) to the Department dated 18 December 2025 confirms that 'the request for SEARs has been re-lodged on the portal.' The full content of the correspondence chain around this rejection was withheld from release under legal professional privilege.

Based on the documents available, it may appear that concern over possible litigation was sufficient cause for a state government department to bypass the consultation requirements that give communities and councils their earliest voice in a major project. The agencies that should have informed the scope of the EIS were excluded from the process before it began.

> ***The committee is asked to consider:*** what protections should prevent proponents from using legal pressure to short-circuit mandatory agency consultation for major data centre proposals? And what legislative changes should occur to prohibit DPHI from issuing SEARs without agency and stakeholder consultation?

Project segmentation: a known planning strategy

The staging of the Moss Vale proposal has thus far avoided the cumulative impact assessment that its full scale would require. Project segmentation — structuring a development across separate applications to avoid triggering higher assessment thresholds — is, as stated by Michael McCabe, Director of Communities and Place at Wingecarribee Shire Council, "not unusual in the development industry." We are concerned this could have occurred in this instance.

The structure of the applications has had that effect: Stage 1 and Stage 2 were kept below the 30MW threshold that triggers 'Designated Development' status, and an approved foothold for gas-fired power generation was secured at the site before the 703.2MW scope of the full development was visible to any regulator, elected representative, or community member.

The federal government's expectations do not address approval segmentation. State planning law does not address it. The result is that one of the largest gas plants ever proposed in Australia is being assessed in fragments, with no cumulative impact assessment required until Stage 3.

> ***The committee is asked to consider:*** should federal data centre policy require proponents to declare full intended site build-out at the time of first application, so cumulative impact is assessed from the outset regardless of how a development is staged?

The same gap applies to Government deals with AI companies

This term of reference extends specifically to deals between the Government and global AI companies. The enforceability problem we describe at Moss Vale applies directly to those arrangements.

Where the Commonwealth negotiates investment, capacity, data or sustainability commitments with hyperscale AI operators, there is no mechanism that converts those undertakings into binding conditions at the point of state planning approval. A commitment made in a Government-industry deal can be announced and welcomed, then carry no weight when the same operator's infrastructure is assessed on the ground.

The problem has a further dimension. Government agencies routinely procure cloud computing services through hyperscale platforms whose physical infrastructure locations are not publicly disclosed. Under current arrangements, it is not possible for the public or parliament to determine whether sensitive government data is being processed at facilities such as the one proposed at Moss Vale.

The same opacity that allows a 703.2MW gas plant to advance without community knowledge also shields government cloud infrastructure from meaningful scrutiny.

> ***The committee is asked to consider:*** how can commitments made by global AI companies in deals with the Government be given binding effect within state planning processes? And are current disclosure requirements for the physical location of government cloud workloads adequate?

4. Term of Reference (b): Impacts on communities, the environment, water and energy

An opportunity Australia cannot afford to waste

Australia now faces a decision about the data centre and AI boom that is structurally similar to decisions made about natural gas development decades ago. Then, as now, there was economic opportunity, community impact, and a regulatory framework that was not ready for either. That experience has taught Australia that committing finite natural resources to fossil fuel infrastructure without adequate community benefit requirements, emissions constraints, or long-term planning produces stranded assets, price exposure, and deep community grievance, with profits flowing offshore and communities left with the environmental legacy.

The committee has the chance to recommend frameworks that allow Australia to benefit from the data centre boom while ensuring communities share in that benefit and bear no more than their fair share of the cost. Moss Vale is what happens when that framework is absent.

A specific inconsistency the committee should address

Across Australia, governments are phasing out gas connections for new residential buildings. The ACT has prohibited new gas connections in most new homes. Victoria has introduced restrictions on new residential gas. The logic in both cases is clear: gas is incompatible with net zero, and locking new homes into gas infrastructure creates long-term emissions and cost exposure for households.

Yet while this policy environment constrains gas access for families building new homes, it offers no equivalent check on a corporation proposing 703.2MW of gas generation to power a data centre, the economic benefits of which flow primarily offshore to global technology companies.

Households are being asked to transition away from gas. Corporations are not. The committee should examine how the federal data centre framework closes that gap.

The committee should ensure large-scale data centre energy proposals meet the same test that is now applied to new residential gas: is this compatible with net zero, and is there a feasible alternative?

Industry and economic impact

The data centre and AI sector can deliver genuine economic value, but the Moss Vale model captures little of it locally while exposing other industries to cost. An off-grid gas plant of this scale would draw on the same finite domestic gas supply that manufacturers and other large industrial users depend on, at a time of sustained east-coast gas price pressure — yet the electricity it generates supplies a single private operator rather than the regional economy, with no community benefit agreement and no local jobs guarantee. If data centre growth is to strengthen Australian industry rather than crowd it out, the framework needs to weigh these proposals against their effect on energy-exposed industries and on sovereign capability, instead of assessing them in isolation.

Community impact: all costs, no benefit

The Southern Highlands community will bear the full industrial consequences of this proposal — air quality degradation, noise, visual amenity impact, traffic, and hazard risk from high-pressure gas infrastructure and grid-scale battery storage co-located in a residential valley.

It will receive none of the economic return. The electricity generated will not supply homes or local businesses. There is no community benefit agreement. There is no local jobs guarantee.

The federal expectations speak of social licence and community engagement. In practice, the first formal public exhibition of this project will occur after an approved beachhead has already been established at the site. By then, the community's ability to influence the outcome is severely curtailed.

Air quality and public health

The site sits in a valley subject to temperature inversions, approximately 3km from existing industrial operations at the Boral cement works in New Berrima. The cumulative air quality impact of 703.2MW of continuous gas combustion — generating nitrogen dioxide and fine particulate matter — against this existing industrial baseline has not been assessed. Residential receptors are within 500 metres of the Stage 2 facility. Schools, early childhood services, and aged care facilities are within the affected area.

Long-term exposure to nitrogen dioxide and PM2.5 is associated with increased rates of asthma, respiratory illness and chronic lung disease, with particular risk for children and older residents.[1] One study published in the *European Journal of Internal Medicine* showed a direct correlation between residential proximity to a 750MW gas power plant and increased hospital presentations among elderly residents.[2] A review of multiple studies in 2022, as reported by the American Lung Association, found that elevated levels of NO2, particulate matter and sulfur dioxide were strongly associated with heart and lung harm, affected pregnancy and birth outcomes, and were likely associated with increased risk of kidney and neurological harm, autoimmune disorders and cancer.[3] PM2.5 inhalation is associated with lung cancer and ischaemic heart disease,[4] while residential exposure to nitrous oxides and PM2.5 may also be associated with early cognitive decline[5] and dementia.[6] No independent public health assessment has been conducted for this proposal. The federal expectations do not require one. Yet the potential health risks to our community — particularly those living in close proximity to the proposed 703.2MW gas plant, and those who are most vulnerable, our children and elderly — are undeniable.

Water in a drinking water catchment

The site sits entirely within the Sydney Drinking Water Catchment. The proponent's cooling model relies on groundwater extraction to achieve what it describes as "zero utility water" consumption. The cumulative water extraction required to cool 703.2MW of thermal generation and a hyperscale data centre — running continuously — has not been independently modelled against the Wingecarribee River system's drought resilience or assessed under the relevant catchment planning controls.

The federal expectations include responsible and efficient water use as a core principle. They do not specify what that means for groundwater cooling in a drinking water catchment, nor do they require independent hydrological assessment. **The gap between principle and requirement is a risk, especially for regional communities.**

Energy: building fossil fuel infrastructure while the grid transitions

The proponent's own documentation acknowledges that grid connection is commercially preferred but unavailable for "many years." The federal government's expectations require data centres to support the shift toward sustainable energy, fund new and additional clean energy generation or storage, and adopt industry-leading energy efficiency measures.

Building 703.2MW of off-grid gas generation does none of these things. It locks in new fossil fuel infrastructure to meet a commercial timetable rather than investing in grid connection or renewable alternatives that the energy transition requires. The federal expectations as currently framed do not require any alternatives to be considered.

If it proceeds, this site would consume around 40 petajoules of gas per annum — approximately one third of total NSW gas use, and more than three times the consumption of the current largest gas-consuming site in

NSW, the Orica ammonia plant on Kooragang Island.[7] According to Climate Council modelling,[8] the Stage 3 proposal alone would add an estimated two million tonnes or more of climate pollution in NSW every year, initially increasing NSW's electricity emissions by approximately 6%, growing to approximately 25% by 2035 as the grid decarbonises.

Impact on regional areas

Moss Vale is not Western Sydney. There are no planning lawyers on call, no established environment groups with existing advocacy infrastructure, no cluster of affected residents already familiar with planning processes. What the Southern Highlands has is volunteers — people who have read planning documents, lodged GIPA applications, attended court conciliations, and built a campaign from nothing, in their own time, at their own cost.

Regional communities facing industrial-scale proposals in the data centre boom deserve the same protections as urban ones. A federal framework that assumes communities can self-advocate without resourcing or notice is not a framework that works for regional Australia.

5. Recommendations

1. **Legislate** minimum standards for large-scale data centre energy proposals by introducing legislation or binding intergovernmental agreements that give the *Expectations of Data Centres and AI Infrastructure Developers* legal force within state planning processes, with those standards enforceable as preconditions for approval.
2. **Require** proponents to declare full intended site build-out at the time of first application, with cumulative impact assessment required from the outset regardless of how a development is staged.
3. **Establish**, through intergovernmental agreement, a mandatory minimum agency consultation period for major data centre energy proposals that cannot be waived or shortened in response to proponent legal representations, and require greater transparency of correspondence between government departments and proponents during that process.
4. **Require** that commitments made by global AI companies in deals with the Australian Government be given binding effect within state planning processes that approve their infrastructure, including through intergovernmental agreement or as enforceable conditions of any Commonwealth support or approval.
5. **Require** that any proposed on-site fossil fuel generation associated with a data centre demonstrate why renewable alternatives or grid connection are not feasible before fossil fuel generation can be considered, and that any such proposal demonstrate a positive contribution to Australia's net zero commitments.
6. **Classify** any data centre proposing continuous (non-emergency) on-site fossil fuel generation, or cumulative on-site generation capacity of 10MW or more, as energy generation infrastructure for the purposes of environmental assessment. This threshold must be calculated against the site's total planned capacity, regardless of how many separate development applications are lodged or how the generation infrastructure is characterised by the proponent.
7. **Require** independent hydrological assessment as a mandatory precondition for any data centre proposal involving groundwater cooling in a protected drinking water catchment.
8. **Examine** the policy inconsistency between the restriction of new residential gas connections in multiple Australian jurisdictions and the absence of equivalent constraints on large-scale fossil fuel generation proposed to power data centres, and apply the net zero test consistently.

9. **Impose** a moratorium on approvals for data centre proposals (including their associated energy infrastructure) that cannot demonstrate alignment with a defined set of minimum standards covering energy source, water use, community benefit, and cumulative impact assessment, until a national framework legislating those standards is in place. This position has been raised in the concurrent NSW Legislative Council inquiry into data centres and is consistent with the findings of Greenpeace Australia Pacific's May 2026 analysis of the Moss Vale proposal's projected emissions impact.
10. **Summon** the proponent (Nakar Property Pty Ltd, trading as Cloud Carrier and Square Energy) to give evidence regarding the energy model, the approval pathway, and the basis on which "full grid independence" is commercially marketed.

Thank you for the opportunity to contribute to this inquiry. This submission is made on behalf of the Stop the Gas Plant – Southern Highlands community campaign and is authorised by its coordinating volunteers, the signatories below.

We are available to discuss any aspect of our submission.

[Signatories redacted for online publication]

References

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